

# **Missouri Bankers Association**

President: Max Cook

January 30, 2004

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

RE: Proposed Rule; Establishment of uniform standards for providing disclosures under certain consumer protection regulations (B, E, M, Z, DD). Docket No. R-1167, R-1168, R-1169, R-1170, and R-1171.

Dear Madam:

This letter is being written as a result of the request for comment by the Federal Reserve Board (Board) on the proposal to establish uniform standards for providing disclosures under five consumer protection regulations: R (Equal Credit Opportunity); E (Electronic Fund Transfers); M (Consumer Leasing); Z (Truth in Lending); and DD (Truth in Savings). The MBA opposes any changes to the disclosure requirements, as they will impose an undue compliance burden of our member financial institutions. The Missouri Bankers Association (MBA), a Missouri bank and savings and loan trade association, is submitting these comments on behalf of almost 400 Missouri financial institutions.

The Board is proposing to modify the consumer protection regulations' disclosure requirements in order to make them more uniform and understandable. The proposal sets out a "clear and conspicuous" standard and defines that term to mean that a disclosure is "reasonably understandable and designed to call attention to the nature and significance of the information in the disclosures." The proposal then provides specific examples of disclosures that are reasonably understandable and designed to call attention. While the purpose of this proposal is to make consumer disclosures more understandable, the effect will include significant adverse and costly affects on Missouri financial institutions through huge compliance burdens, an increase in potential lawsuits and liability, and lengthy disclosures.

## **Costly Regulatory Burden**

The standardization of consumer protection disclosures will have an enormous impact on financial institution resources. Under this proposal, financial institutions will have to comb through every disclosure under Regulations B, E, M, Z, and DD and attempt to discern what changes need to be made in order to comply with the subjective standards of “everyday words” or “understandability,” while not using excessive “legalese” language. In addition to expending vast human resources, financial institutions will incur the added monetary expense of having many if not all disclosures affected by this proposed rule redrafted and reproduced.

### **Will Promote Lawsuits and Increased Liability**

The Board uses ambiguous terms such as “everyday words” and “wide margins” in the proposed rule to describe the manner in which disclosures must be given. In addition, the examples in the proposal are unclear and will prove difficult to administer to different types of disclosures. Even though they are deemed to be optional examples, examiners and the judicial system will likely prove otherwise. These ambiguous terms and vague examples are extremely subjective and will only invite lawsuits and examiner criticism.

### **Lengthy Disclosures**

The Board is promoting “understandability” by encouraging the use of font size, margin size, headings, and bullet points in the required disclosures. These requirements will undoubtedly lengthen the applicable disclosures by multiple pages, creating an adverse effect for consumers by discouraging them from reading them.

### **Where is the Justification?**

The Board claims that its purpose for the proposed rule is to ensure that consumers are able to understand the applicable disclosures. While financial institutions can appreciate the need for clear and conspicuous disclosures, the MBA doesn’t feel that the proposed revisions proposed are justified. Nowhere in the proposed rule has the Board identified specific disclosures that are vague or ambiguous. If the Board is going to impose such a burdensome requirement on financial institutions, the MBA wants the Board to identify those areas that are unclear and specifically address how they can be improved.

In conclusion, the MBA opposes any changes to the disclosure requirements, as they will unjustifiably burden our member financial institutions.

Thank you for the opportunity to comment on the above proposed rule. If I can be of additional assistance, please let me know.

Sincerely,

Max Cook  
President

